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Traditional Payment Recovery vs. Smart Dunning Strategies

A comprehensive look into the crucial differences between traditional and AI-driven Smart Dunning strategies and how Smart Dunning software is transforming ecommerce and subscription businesses.

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introduction

In the ecommerce industry, efficient payment recovery is crucial for maintaining revenue and ensuring customer loyalty.

By the end of this ebook, you'll understand the inefficiencies that might be costing you thousands and **discover how to turn potential losses into recovered revenue effortlessly.** You'll learn why industry leaders — and your competition — are making the switch.

This ebook offers insights to help you avoid financial pitfalls, improve customer retention and gain a competitive edge. Missing out on this knowledge could mean losing substantial revenue opportunities. So, dive into the world of Smart Dunning and transform your payment recovery strategy.

read on to
unlock the future of
ecommerce success! →

traditional vs. Smart Dunning:
a comparative analysis

traditional dunning

Interval-based dunning methods rely on guesswork for retrying payments, resulting in high rebill fees and frequently putting your merchant account at risk of revocation.

how it works

a credit card is
declined or past due

reminders may be sent
via email or text to retry the card

based on rules set by
the merchant, each retry
accumulates fees and risk

a low proportion
of payments are salvaged

customer
churns
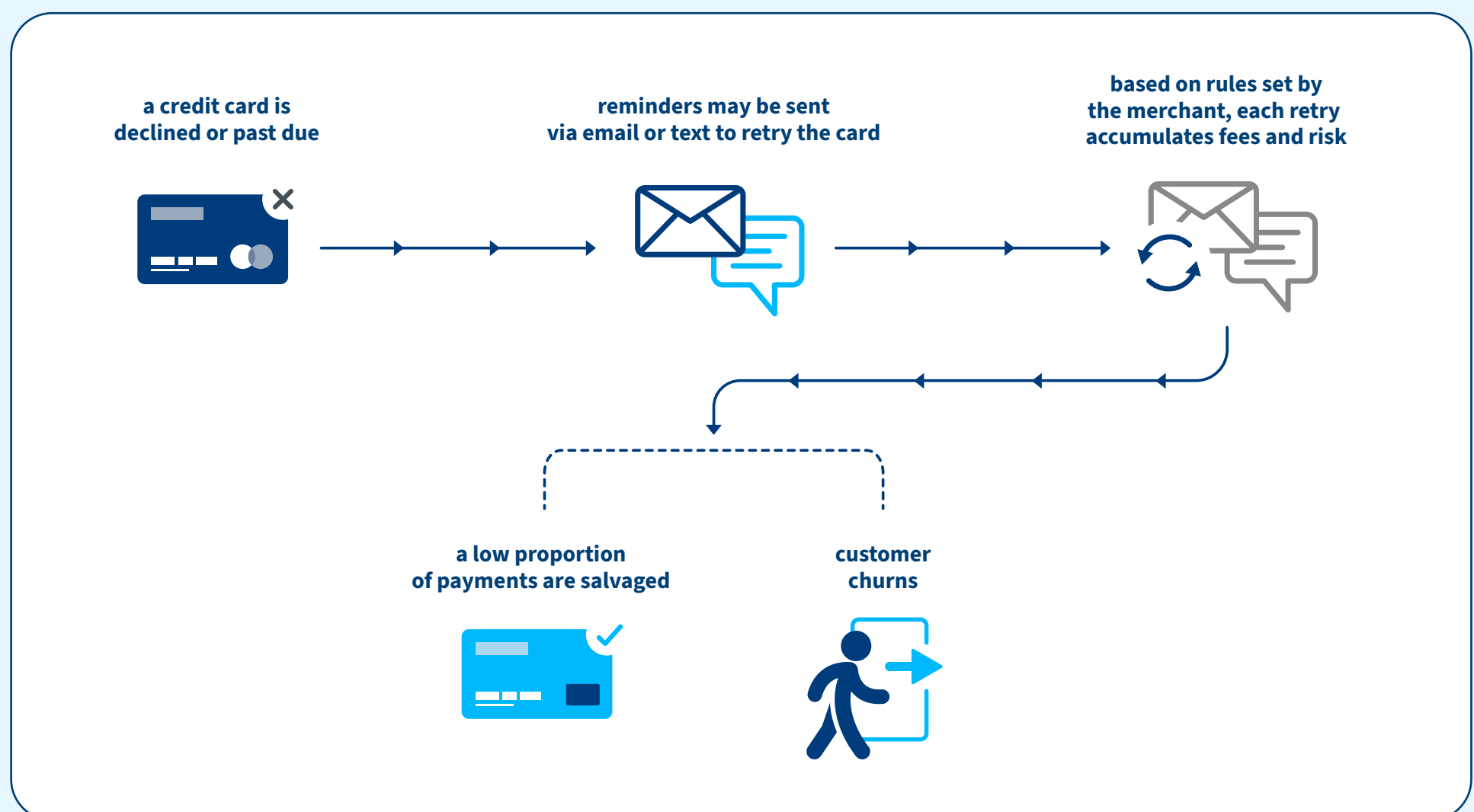
the downside of traditional dunning strategies

Traditional dunning methods have long been used to manage failed payments in ecommerce, but they come with significant drawbacks:

Failed rebill attempts:

Traditional dunning uses fixed retry schedules that don't consider optimal timing or customer payment behavior. This results in low recovery rates and increased customer churn.

Accumulation of declines on your MID:

Repeatedly charging declined transactions can lead to a high volume of declines on your Merchant Identification Number (MID). This raises red flags with payment processors, potentially resulting in higher fees or even account termination.
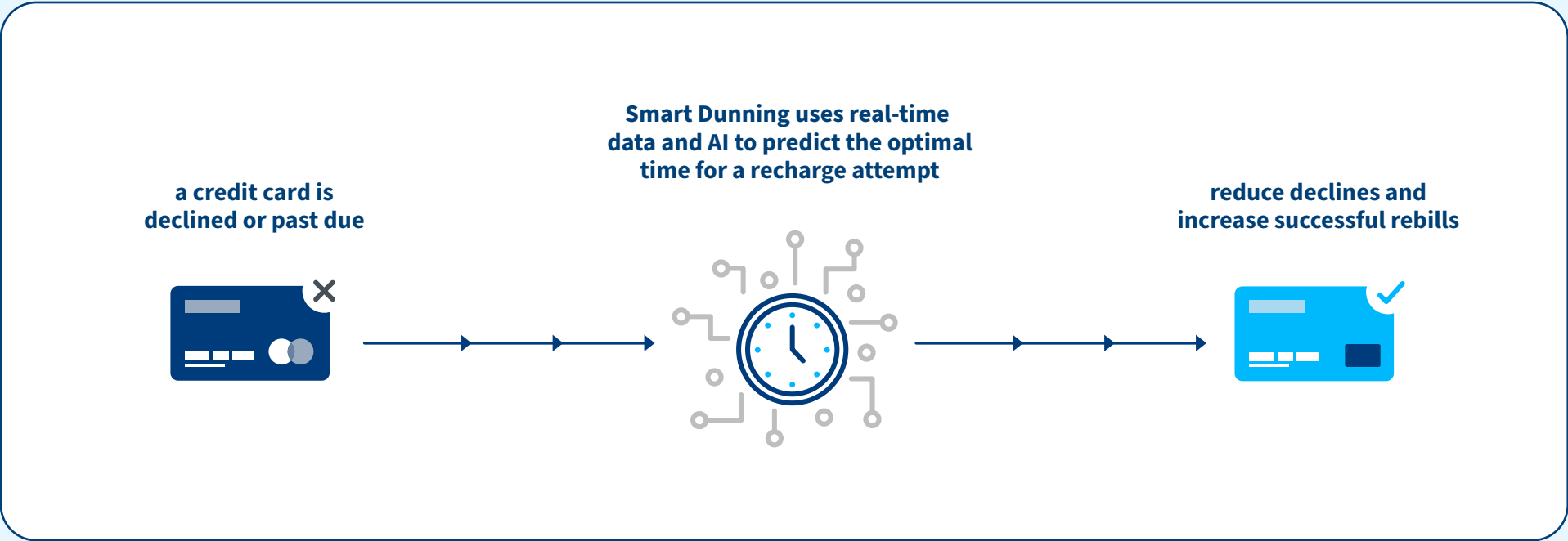
Increased payment processing costs:

Each failed payment attempt incurs costs. Traditional dunning's multiple retries can quickly escalate these costs, impacting your bottom line without recovering the payment.

Smart Dunning

Smart Dunning is an AI-driven tool with millions of analyzed rebill scenarios. It combines historical data with real-time factors to make informed decisions on rebill timing, resulting in more approved payments on the initial retry and fewer threats to your merchant account.

how it works

a credit card is declined or past due

Smart Dunning uses real-time data and AI to predict the optimal time for a recharge attempt

reduce declines and increase successful rebills

the advantages of Smart Dunning

Smart Dunning leverages advanced AI technology to revolutionize payment recovery, offering a range of benefits that surpass traditional dunning methods.

1. AI-driven: Uses real-time data to optimize retry timing.

2. Personalized: Tailors communication based on customer behavior.

3. Higher recovery: Predictive analytics improve success rates.

4. Dynamic: Adapts strategies to minimize fees and risks.

5. Reduced churn: Engages customers more effectively, reducing churn.

6. Customizable strategies: Strategies can be assigned to sub-segmentsof your traffic based on rules that you define.

a comparative analysis

The table below compares these approaches, showcasing how AI-driven strategies outperform traditional methods.

feature	traditional dunning strategies	AI-driven dunning strategies
automated retries	Relies on your guesswork to retry declines.	AI uses real-time and historical customer data to choose a rebill time.
data-informed retry strategies	Uses the same interval-based strategy for each failed subscription.	Develops an individual strategy for each failed subscription order and gets better over time.
dynamic payment routing	No routing of payment attempts.	Real-time routing through optimal gateways and methods.*
MID health protection	May lead to excessive declines that raise merchant account risk score along with unnecessary processing fees.	Protects MID health and reduces processing costs by minimizing unnecessary declines.

Available through sticky.io Smart Dunning only

key takeaways:

Traditional dunning can harm financial health and customer relationships through failed rebills, accumulated declines on your MID and higher processing costs.

AI-driven Smart Dunning provides more effective, personalized and cost-efficient payment recovery solutions.

key players

The ecommerce industry features several companies that offer traditional dunning strategies as part of their subscription management and billing solutions. Some of the key players in the space include:

Butter Payments: Focuses on reducing payment failures through intelligent payment optimization.

Chargebee: Incorporates dunning management to reduce involuntary churn.

Churn Buster: Focuses on reducing involuntary churn through effective dunning strategies.

Paddle: Comprehensive commerce platform with dunning processes for managing failed payments.

Recharge Retain: Subscription billing platform with dunning features for ecommerce businesses.

Recurly: Provides subscription management and billing solutions with automated dunning processes.

sticky.io: Utilizes AI-driven Smart Dunning to predict and prevent payment failures, optimize retry schedules and personalize customer interactions.

Stripe: Offers subscription management features with dunning tools for failed payments.

Vindicia Retain: Specializes in churn reduction with advanced dunning techniques.

a competitive overview: features and capabilities

In the field of AI-driven dunning products, several companies are recognized as industry leaders due to their innovative use of artificial intelligence and advanced analytics to optimize payment recovery. Here's how they compare:

feature	sticky.io Smart Dunning	Butter Payments	Chargebee	Churn Buster	Recharge Retain	Recurly	Vindicia Retain
automated retries	Yes	Yes	Yes	Yes	Yes	Yes	Yes
data-informed retry strategies	Yes	Yes	Yes	No	Yes	Yes	Yes
allows for multiple retry strategies for specific traffic segments	Yes	No	No	No	No	No	No
dynamic payment routing and cascading	Yes	No	No	No	No	No	No
PCI Level 1 compliant	Yes	No	Yes	No	No	Yes	Yes
payment provider agnostic	Yes	No	Must use Chargebee platform and connected providers	Must use Churn Buster's pre-built integrations and the payment providers connected to those	Must use Recharge for Shopify and the available providers	Must use Recurly Platform and connected providers	Must use Vindicia's integrated payment providers
pricing model	Low flat fee per retry attempt	% of recovered revenue, starting at 10% for most merchants	Bundled with base Chargebee pricing Only on Performance or Enterprise plans	Flat fee based on MRR	Custom pricing added to platform fees	Bundled with base Recurly pricing Professional or Elite plans only	% of recovered revenue, as high as 50%

next steps: finding the right AI-driven solution

Effective payment recovery is crucial for ecommerce success. Traditional dunning strategies, while useful, often fall short due to their static nature. In contrast, AI-driven Smart Dunning software — like those offered by sticky.io — provides a dynamic and efficient solution that uses advanced algorithms and real-time data to enhance payment recovery and reduce churn.

how to find the right dunning tool for your business

Use this quick checklist to help you choose the best dunning solution for you.

- ☐ **Evaluate your current dunning:** Identify strengths and weaknesses.

- ☐ **Define requirements:** List essential features and integration needs.

- ☐ **Research solutions:** Compare AI-driven options and their capabilities.

- ☐ **Assess providers:** Look for proven success and strong customer feedback.

- ☐ **Request demos:** Test solutions through trials or demos.

- ☐ **Analyze costs:** Consider pricing and potential ROI.

- ☐ **Make a decision:** Choose the solution that best meets your needs.

- ☐ **Implement and monitor:** Integrate and track performance for continuous improvement.

curious about the potential revenue you could recover with AI-driven dunning?

Smart Dunning has helped businesses like yours **instantly recover up to 75% more revenue and improve first-pass success rates on retries by up to 51%.**

Discover the impact sticky.io's Smart Dunning can have on your bottom line.
Use our free Smart Dunning Calculator to see how much revenue you could recover.

Incremental Revenue Recovered
$4,095

Recovery Revenue Variance
+45%

Our ROI calculator provides estimates based on average data from sticky.io. These figures are not guaranteed and should be used for informational purposes; consult experts for financial decisions.

Average Order Value

$ | 130

Monthly Declined Transactions

| 70

Current Recovery Rate

% | 25

New Recovery Rate *(based on our average range)*

% | 70

calculate ROI of Smart Dunning